



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

December 22, 2005

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

WASHINGTON, D.C. UPDATE

The first year of the 109th Session of Congress finally is coming to an end with the impending completion of work on Federal Fiscal Year (FFY) 2006 appropriations and a House passed five-week extension of the PATRIOT Act to February 3, 2006, which, otherwise, would expire on December 31, 2005. The Senate will take up the extension this evening. However, as explained below, it is all but certain that the House will not vote on final passage of the budget reconciliation bill (S. 1932) until next year.

FFY 2006 Budget Reconciliation Bill (S. 1932)

On December 21, 2005, the Senate approved, 51 to 50 with Vice President Cheney casting the tie-breaking vote, the conference agreement on S. 1932, the FFY 2006 budget reconciliation bill, which would cut mandatory (entitlement) spending by approximately \$40 billion over five years. Before passing the bill, the Senate removed three provisions, which do not affect the County, because they violated the "Byrd rule," which prohibits the inclusion of language in a budget reconciliation bill that does not have a budgetary impact. Because the Senate amended the conference agreement, the House must approve the amended version. House Democrats have signaled that they would demand a roll call vote, which is all but certain to delay final action until next year because House members already have left Washington, D.C. for the holidays.

The House vote on the revised conference agreement on S. 1932 is likely to be a close vote because the original more than 700 page agreement passed the House by only six votes after it was released five hours earlier at 1:00 a.m. on Monday, December 19, 2005. Therefore, state and local officials were unable to inform members of the far-reaching negative impacts of changes to Temporary Assistance for Needy Families

(TANF) work participation rate requirements included in the bill's provisions to reauthorize TANF through FFY 2010. These changes were not in any previous bill to reauthorize TANF, including the prior House budget reconciliation bill. Today, the Senate cleared legislation (H.R. 4635) to extend TANF through March 31, 2006.

Under the conference agreement, each state's effective TANF work participation rate requirements would be severely increased. The Congressional Budget Office (CBO) estimates that it would cost states an estimated \$8.4 billion over the next five years to meet these added work requirements and more than \$12 billion to meet the increased need for child care services. Yet, the bill freezes annual TANF funding levels, which have not increased since the program was established in 1996, and increases child care funding by only \$1 billion over five years. Moreover, for the first time, the bill also would apply work participation rate requirements to families receiving State maintenance-of-effort (MOE) funded services. This means, for example, that California would have to meet a 90 percent work participation rate for two-parent families who currently are served using State MOE dollars. It also means that grandparents and other relatives who care for abused and neglected children under the State's Kinship Guardian Assistance Program (Kin-Gap) would have to meet work participation rate requirements.

These changes greatly increase the risk that states, including California, will incur Federal fiscal penalties for failing to meet work participation rate requirements that, under current State law, would be shared by counties and the State. To avoid these penalties, California either would have to spend more State funds or make offsetting CalWORKs cuts in order to finance the increased cost of meeting these requirements.

Other provisions in the budget reconciliation bill also would result in a major loss of Federal funding and shift costs to California and the County:

- Federal child support enforcement funding would be reduced by an estimated \$1.5 billion over five years and \$4.9 billion over ten years by eliminating the ability of states to use Federal child support incentive payments as matching funds beginning in FFY 2008, and by reducing the Federal match rate for laboratory testing required to establish paternity from 90 percent to 66 percent beginning in FFY 2007. According to the Governor's May 2005 revisions, the State received an estimated \$91.7 million in Federal funds that were matched by incentive payments in 2004-05. Assuming that California will receive the same percentage of total available incentive funding in future years as it did in FFY 2005, the bill would result in a \$96.7 million loss in Federal matching funds in FFY 2008, with the loss increasing by an estimated 2.2 percent in each subsequent year. Under current Federal law, after FFY 2008, the total available incentive pool is indexed against the Consumer Price Index (CPI), which the CBO currently estimates will grow by 2.2 percent each year.

- Title IV-E foster care funding would be reduced by overturning the Rosales v. Thompson decision, which allows certain children placed with relatives to qualify for IV-E payments, and by reducing IV-E administrative matching funds for children placed with relatives, potential candidates for foster care, and children transferred from an institution outside the child welfare system. California would be disproportionately hurt by these cuts because the court decision only applies to states in the Ninth Circuit and because the State currently receives over one-fourth of all IV-E foster care funding.
- The ability of states to use managed care organization (MCO) fees to finance the non-Federal share of Medicaid costs would be eliminated except that the four states, including California, which currently use MCO fees would be allowed to continue to do so until FFY 2010. The Senate version would have permanently grandfathered the State's ability to use MCO fees, which currently generates \$175 million a year in Federal Medicaid matching funds.
- The bill would restrict the use of Medicaid funds for case management services, including by prohibiting states from claiming Medicaid reimbursement for case management services if any other Federal, state, or local program exists that potentially could fund such services. This would mean that Medicaid no longer would be available to serve Medicaid eligible individuals with special needs, such as those who may be developmentally disabled, mentally ill, abused or neglected, or have HIV/AIDS. The bill also would shift costs from the Federal government to State and local governments by restricting the use of Medicaid for targeted case management services for foster children who are not eligible for case management services funded under Title IV-E.
- The bill would make it more difficult for persons to qualify for Supplemental Security Income (SSI) based on disability by requiring an additional Federal review of a portion of disability cases. The CBO estimates that this change would result in about 20,000 fewer applicants qualifying for SSI and Medicaid over the next ten years. This would result in a cost shift to the County because, under State law, needy individuals who are ineligible for SSI and Medicaid must be provided County-funded General Relief and medical assistance.

FFY 2006 Defense Appropriations Bill (H.R. 2863)

On December 21, 2005, the Senate defeated a cloture vote to end a filibuster against the conference agreement on the FFY 2006 Defense Appropriations Bill (H.R. 2863) on the grounds that it includes an unrelated provision to authorize oil exploration in the Arctic National Wildlife Refuge (ANWR). Oil exploration had been prohibited under

legislation enacted in 1980 which designated ANWR. Later in the day, it amended the conference report to remove the ANWR provision as well as a few other provisions. On Monday, the House approved the conference report on H.R. 2863 before recessing for the year. The House approved the conference report, as amended by the Senate, on a voice vote in a pro forma session.

Of interest to the County, the bill fully funds the Pentagon's request for 15 C-17 aircraft at a cost of \$3.5 billion. It also contains some non-defense provisions of County interest, including a one percent across-the-board cut in all FFY 2006 discretionary spending except for combat operations and veterans programs. This across-the-board cut was included to help finance hurricane recovery and pandemic flu preparedness activities.

The bill includes \$3.8 billion for flu preparedness of which \$3.3 billion is designated for the Public Health and Social Services Emergency Fund. It includes \$350 million for upgrading State and local response capacity, particularly the planning and testing of pandemic response plans by State and local officials. The bill also includes language opposed by Senate Democrats that would provide vaccine manufacturers with broad protections from lawsuits.

FFY 2006 Labor, Health and Human Services (HHS), and Education Appropriations Bill (H.R. 3010)

On December 22, 2005, the Senate approved a revised conference agreement on the FFY 2006 Labor/HHS/Education Appropriations bill with an enrolling resolution to send the bill to the President after the House clears the Defense Appropriations bill. The House approved the revised conference agreement on Monday. The revisions to the original conference agreement, which was defeated in November, do not affect any programs of County interest. As seen in the attached table with funding levels for programs of interest, the conferees funded the Community Services Block Grant (CSBG) at \$637 million, the same level as in FFY 2005. The President had proposed to eliminate CSBG, and the House bill would have cut its funding to \$320 million.

Department of Justice Authorization Bill (H.R. 3402)

On December 17, 2005, the House passed H.R. 3402, the Department of Justice reauthorization bill, as amended by the Senate last week, clearing it for the President's signature. The bill includes language to merge the Local Law Enforcement Block Grant and Byrne Law Enforcement Grant into a new Justice Assistance Grant (JAG), and authorizes \$1.1 billion for JAG in FFY 2006 and such sums as may be necessary in FFYs 2007 through 2009. The bill also reauthorizes the Juvenile Accountability Block Grant and includes County-supported provisions to:

- Authorize the following annual State Criminal Alien Assistance Program (SCAAP) funding levels: \$750 million in FFY 2006, \$850 million in FFY 2007, and \$950 million in FFY 2008 through 2011; and
- Make it a Federal crime to knowingly transfer, transport, or receive an official insignia or article of clothing, including a badge, emblem, or identification card, of a Federal, state, or local government employee in interstate or foreign commerce.

Border Protection, Antiterrorism, and Illegal Immigration Control Act of 2005

Last week, the House passed H.R. 4437, the "Border Protection, Antiterrorism, and Illegal Immigration Control Act," by a margin of 239 to 192. The legislation provides greater funding for security at the borders, increases penalties for violations of immigration laws, and tightens verification procedures for enforcing employer sanctions against the hiring of undocumented workers.

Of major County interest, a floor amendment by Representative Norwood (R-GA) was adopted which would:

- Authorize \$1 billion a year for the State Criminal Alien Assistance Program (SCAAP), \$650 million in FFYs 2007 through 2011 for the Institutional Removal Program, which identifies criminal aliens in Federal, state, and local correctional facilities and removes them from the country, and \$250 million a year in grants to assist state and local law enforcement agencies that help enforce immigration laws;
- Clarify and reaffirm the authority of state and local law enforcement personnel to apprehend, arrest, detain, or transfer to Federal custody aliens in the United States for purposes of assisting in the enforcement of immigration laws; and
- Deny SCAAP funding to any State or local government that has in effect a statute, policy, or practice that prohibits its law enforcement officers from assisting or cooperating with Federal immigration law enforcement in the course of carrying out their routine law enforcement duties, effective two years after the bill's enactment.

In 2006, the Senate is expected to consider a comprehensive immigration reform package which is likely to differ significantly from H.R. 4437. As, in past years, the enactment of major immigration reform legislation will face a major uphill battle, especially because there is not any strong consensus among Republicans on immigration issues.

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Terrorism Risk Insurance Revision Act (TRIA)

On December 17, 2005, the House passed S. 467, a County-supported bill which reauthorizes the existing Federal terrorism insurance program (known as TRIA) through December 31, 2007. Under TRIA, which was enacted following the attacks of September 11, 2001, the Federal government would pay for a large portion of damage resulting from terrorist attacks. The Act was scheduled to expire on December 31, 2005. The President is expected to sign the bill, which was passed by the Senate last Friday.

We will continue to keep you advised.

DEJ:GK
MAL:MT:hg

Attachment

c: Executive Officer, Board of Supervisors
 County Counsel
 All Department Heads
 Legislative Strategist

**FEDERAL FISCAL YEAR (FFY) 2006 FUNDING LEVELS
FOR PROGRAMS OF COUNTY INTEREST IN H.R. 3010
LABOR / HEALTH AND HUMAN SERVICES / EDUCATION APPROPRIATIONS BILL
(in millions)**

PROGRAMS	Enacted 2005	President 2006	Conference¹ 2006
Labor			
Adult Training	\$ 897	\$ 866	\$ 866
Youth Training	986	950	950
Dislocated Workers	1,193	1,075	1,193
State Employment Service	781	696	723
Title-V Older Americans Employment	437	437	437
Health and Human Services			
Bioterrorism Public Health Grants	927	797	769
HRSA Hospital Preparedness Grants	491	484	475
Ryan White Emergency Assistance	610	610	610
Ryan White AIDS Total	2,073	2,083	2,083
Community Health Centers	1,734	2,038	1,800
Family Planning	286	286	286
Community Access Program	83	0	0
Preventive Health Block Grant	119	0	100
Maternal and Child Health Grant	724	724	700
Substance Abuse Block Grant	1,776	1,776	1,776
Mental Health Block Grant	433	433	433
Social Services Block Grant	1,700	1,700	1,700
Community Services Block Grant ²	637	0	637
Child Welfare Services	290	290	290
Independent Living ³	187	200	187
Promoting Safe and Stable Families	404	410	395
Child Care Development Block Grant	2,083	2,083	2,083
Refugee Social Services	165	151	156
Refugee Targeted Assistance	49	49	49
Refugee Assistance Total	484	552	576
Administration on Aging (AoA) Total	1,396	1,372	1,377
AoA Family Caregivers	156	156	158
AoA Nutrition	719	719	722
AoA Supportive Services	354	354	354

Footnotes

¹ In H.R. 3010, as reported by the Conference Committee on December 16, 2005.

² The President's proposed FFY 2006 Budget would consolidate CSBG and 17 other programs into a \$3.7 billion strengthening America's Communities Initiative that would be administered by the Department of Commerce.

³ Includes \$47 million for Independent Living Training Voucher Grants.